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Profile ■ by Gerald F. Vaughn

McDonald and Wiley: Their hidden jewels for ag policy



Left, Stephen L. McDonald;
right, Clarence Alton Wiley



Economists outside the Land Grant and USDA establishment have offered keen insights on agricultural policy. Stephen L. McDonald and his mentor at the University of Texas, Clarence Alton Wiley, were interested in the economics of agriculture, how agriculture fit with the remainder of the economy, and the eternal puzzles of agricultural policy. Their policy prescription formulated many years ago—that agricultural policy should work to integrate agriculture into the total economy rather than treat agriculture as a unique sector—is still valid.

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McDonald, now Duncan Centennial Professor of Economics at the University of Texas in Austin, is well known for his pioneering work in energy economics. He has written numer-

ous articles on the economics of oil and gas production, and his book *Petroleum Conservation in the United States: An Economic Analysis* is regarded as the definitive treatment of this problem. He is

a frequent consultant to the U.S. Congress, federal and state agencies, the petroleum and banking industries, and others.

Wiley taught agricultural and land economics at the University of Texas from 1921 until his death in 1956. He received his Ph.D. degree in agricultural economics from the University of Wisconsin in 1926. Wiley was an independent thinker who deviated from the mainstream by his insistence that agricultural policy confused the preservation of a way of life with the promotion of efficiency in farm production.

In 1935-36 Wiley took a year's leave of absence and served as Chief of Land Use Planning for the U.S. Resettlement Administration in the Southeast region. Among his writings, three major journal articles in the late 1930s were significant critiques of the institutional rigidities of land tenure and related public policies that hindered technological progress in the Cotton Belt.

The need to integrate agriculture into the total economy

Wiley always tried to stimulate his students' thinking about the interrelatedness of the nation's economic problems, impacts on agriculture, and workable solutions. McDonald recalls,

"It is this understanding of the interrelatedness of all parts of the economy that distinguishes Wiley's thinking on farm problems... Thus in his classes he spoke of the need to 'integrate' the agricultural sector with the rest of the economy" (McDonald 1992).

Wiley conveyed to his students that integration is the means by which specialized activities in the complex economy

are coordinated. Wiley knew that traditional agriculture was somewhat outside this coordinating system, not fully participating in exchange and clinging to the notion of a separate way of life and thought. At the time of his death, the process of adapting habits of thought away from agrarianism and toward the requirements of modern commercial agriculture was far from completed... and it still is.

McDonald's doctoral dissertation, "Future Agricultural Policy with a View To an Integrated Economy," was completed in 1951 under Wiley's supervision. Building on Wiley's foundation of thought, McDonald offered policy proposals to achieve comprehensive integration of the agricultural sector and rural labor into the total economy. These proposals appeared in two major journal articles based on his dissertation (1953 and 1955-1956). His articles are hidden jewels in our agricultural economics literature that need to be highlighted in today's policy debate.

Reallocative movements toward fuller integration

McDonald asserts that the integrated economy achieves "a certain efficiency of overall operation impossible to realize under conditions of independent operation of the separate processes" (McDonald 1953, 371). He identified three major lines of reallocative movements in agriculture needed for fuller integration of the industry into the aggregate U.S. economy: (1) reduction in the proportion of labor resources engaged in agriculture; (2) growth in capital investment per agricultural unit; and (3) shift in product emphasis from staple foods

and fibers to livestock products, fruits, and vegetables.

McDonald argued, first, that the maintenance of full employment in the *nonagricultural* sectors of our economy is essential to the farm-to-city migration flow. Second, credit facilities in imperfect capital markets need to guard against capital rationing that reduces the ability of many capable farmers to obtain the inputs needed for more efficient production. Third, if shifts in product emphasis are to be made, commodity and factor prices must be permitted to play their proper allocative role in the agricultural economy without the subsidy of income and price supports as a permanent feature of national policy. He concluded,

"A case can therefore be made for special programs of assistance to farm people; however, such assistance must look toward adaptation, not protection... Programs directed toward integrative adjustment are thus potentially self-liquidating" (McDonald 1955-1956, 128).

This policy prescription is still valid... in the 1990s and beyond. ■

■ For more information

McDonald, Stephen L. "The Process of Integration and Agricultural Problems." *Journal of Farm Economics* 35(1953): 371-380.

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